

# **Shoes and Clothes for Kids, Inc.**

Consolidated Financial Report  
December 31, 2016

## Contents

---

Independent Auditor's Report	1-2
<hr/>	
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-12

---

## Independent Auditor's Report

Board of Directors  
Shoes and Clothes for Kids, Inc.  
Cleveland, Ohio

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Shoes and Clothes for Kids, Inc., which comprise the consolidated statement of financial position as of December 31, 2016, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoes and Clothes for Kids, Inc. as of December 31, 2016 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Independent Auditor's Report (Continued)**

**Report on Summarized Comparative Information**

We have previously audited Shoes and Clothes for Kids, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Cleveland, Ohio  
May 15, 2017

Shoes and Clothes for Kids, Inc.

**Consolidated Statement of Financial Position**  
**December 31, 2016**  
**(With Comparative Totals at December 31, 2015)**

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:		
Operating	\$ 643,923	\$ 776,205
Funds reserved for investment	96,225	92,651
Contributions receivable, net	55,907	18,308
Prepaid expenses	8,147	1,695
Inventory	1,637,969	2,298,005
<b>Total current assets</b>	<b>2,442,171</b>	<b>3,186,864</b>
Fixed assets:		
Office furniture and equipment	77,493	82,121
Less accumulated depreciation	55,528	55,636
	<b>21,965</b>	<b>26,485</b>
Other assets:		
Deposits	1,500	1,500
Investments	1,148,000	1,085,650
	<b>1,149,500</b>	<b>1,087,150</b>
<b>Total assets</b>	<b>\$ 3,613,636</b>	<b>\$ 4,300,499</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 12,420	\$ 1,918
Accrued gift certificates	29,971	38,455
Accrued payroll and taxes	2,004	4,331
<b>Total current liabilities</b>	<b>44,395</b>	<b>44,704</b>
Net assets:		
Unrestricted:		
Operating - undesignated	582,381	763,013
- inventory	1,637,969	2,298,005
Funds functioning as endowment	1,244,225	1,178,301
<b>Total unrestricted net assets</b>	<b>3,464,575</b>	<b>4,239,319</b>
Temporarily restricted	104,666	16,476
<b>Total net assets</b>	<b>3,569,241</b>	<b>4,255,795</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,613,636</b>	<b>\$ 4,300,499</b>

See notes to consolidated financial statements.

Shoes and Clothes for Kids, Inc.

Consolidated Statement of Activities

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Operating support and revenue:				
Contributions:				
Foundations	\$ 141,072	\$ 120,000	\$ 261,072	\$ 94,550
Individuals	270,145	-	270,145	252,526
Corporate and other organizations	49,939	-	49,939	182,848
Special events, net	37,943	-	37,943	124,196
Interest income	433	-	433	469
Net assets released from restrictions	31,810	(31,810)	-	-
<b>Total operating support and revenue before in-kind contributions</b>	<b>531,342</b>	<b>88,190</b>	<b>619,532</b>	<b>654,589</b>
In-kind rent, professional services, goods and materials	61,977	-	61,977	130,366
In-kind inventory and gift cards	1,300,989	-	1,300,989	2,272,281
<b>Total operating support and revenue</b>	<b>1,894,308</b>	<b>88,190</b>	<b>1,982,498</b>	<b>3,057,236</b>
Operating expenses:				
Distributions to children:				
Clothing and school uniforms	2,086,794	-	2,086,794	2,544,049
Shoe gift certificates	195,258	-	195,258	156,114
<b>Total distributions to children</b>	<b>2,282,052</b>	<b>-</b>	<b>2,282,052</b>	<b>2,700,163</b>
In-kind rent, professional services, goods and materials	61,977	-	61,977	130,366
Staff and personnel cost	350,024	-	350,024	288,061
Facility expense	27,299	-	27,299	27,037
Governance and administration	83,984	-	83,984	65,534
Development and communication	43,332	-	43,332	13,176
Depreciation	12,395	-	12,395	7,143
<b>Total operating expenses</b>	<b>2,861,063</b>	<b>-</b>	<b>2,861,063</b>	<b>3,231,480</b>
<b>(Decrease) increase from operating activities</b>	<b>(966,755)</b>	<b>88,190</b>	<b>(878,565)</b>	<b>(174,244)</b>
Non-operating revenues and support:				
Net realized/unrealized gain (loss) on investments	65,924	-	65,924	(22,988)
<b>Total non-operating revenues and support before merger of Uniforms for Kids, Inc.</b>	<b>65,924</b>	<b>-</b>	<b>65,924</b>	<b>(22,988)</b>
Contribution of net assets received in merger with Uniforms for Kids, Inc. (Note 9)	126,087	-	126,087	-
<b>Total change in net assets</b>	<b>(774,744)</b>	<b>88,190</b>	<b>(686,554)</b>	<b>(197,232)</b>
Net assets - beginning	4,239,319	16,476	4,255,795	4,453,027
Net assets - ending	\$ 3,464,575	\$ 104,666	\$ 3,569,241	\$ 4,255,795

See notes to consolidated financial statements.

**Shoes and Clothes for Kids, Inc.**

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (686,554)	\$ (197,232)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contribution of net assets received in merger with Uniform for Kids, Inc.	(126,087)	-
Depreciation	12,395	7,143
Net realized/unrealized (gain) loss on investments	(65,924)	22,988
(Increase) decrease in contributions receivable, net	(13,979)	8,155
(Increase) decrease in prepaid expenses	(6,452)	5,333
Decrease in inventory	685,089	180,006
Increase (decrease) in accounts payable	10,502	(507)
(Decrease) increase in accrued gift certificates	(8,484)	8,674
(Decrease) increase in accrued payroll and taxes	(2,327)	(2,808)
<b>Net cash (used in) provided by operating activities</b>	<b>(201,821)</b>	<b>31,752</b>
Cash flows from investing activities:		
Cash received in merger with Uniforms for Kids, Inc.	77,414	-
Investment activity, net	3,574	62,151
Purchase of fixed assets	(7,875)	(2,968)
<b>Net cash provided by investing activities</b>	<b>73,113</b>	<b>59,183</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(128,708)</b>	<b>90,935</b>
Cash and cash equivalents:		
Beginning	868,856	777,921
Ending	<b>\$ 740,148</b>	<b>\$ 868,856</b>

See notes to consolidated financial statements.

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies

**Purpose:** Shoes and Clothes for Kids, Inc. is a not-for-profit corporation that provides a unique service for income-eligible families in Greater Cleveland by distributing brand new shoes, uniforms, clothing and items for infants and youth. For the past 48 years, Shoes and Clothes for Kids has positively impacted the lives of area children by giving them the pride and confidence that comes from having new shoes, school uniforms and clothes. In July 2016 Shoes and Clothes for Kids, Inc. merged with Uniforms for Kids, Inc. to expand its mission to include removing clothing as a barrier to school attendance. During 2016, the estimated fair value of shoes, uniforms and clothing distributed to children was \$2,073,057.

In addition, the Shoes and Clothes for Kids, Inc. participates in a shoe gift certificate program in which gift certificates are distributed to children to purchase new shoes. The estimated fair value of certificates distributed totaled \$195,258 in 2016.

**Basis of consolidation:** As further described in footnote 9, these consolidated financial statements include the financial activity of Uniform for Kids, Inc. as of and for the six month period ended December 31, 2016 and the activity of Shoes and Clothes for Kids, Inc., as of and for the year ended December 31, 2016. Collectively, Shoes and Clothes of Kids, Inc. and Uniforms for Kids, Inc. are referred to as “the Organization” in these financial statements. All intercompany transactions have been eliminated in consolidation.

**Accounting method:** The accompanying financial statements of the Organization have been prepared, in all material respects, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. At December 31, 2016, the Organization had no permanently restricted net assets.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization recognizes revenue in the period in which the pledge (promise to give) is received.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains, at various financial institutions, cash and equivalents which may exceed federally insured amounts, at times. Balances in excess of the federally insured limit, expose the Organization to custodial credit risk.

**Allowance for doubtful accounts:** The Organization provides for uncollectible contribution receivables using the allowance method. The allowance for bad debts was \$2,500 at December 31, 2016.

**Inventory:** Inventory consists of purchased or donated shoes, uniform and clothing items for infants and children. Inventory has been valued at estimated fair value at the date of purchase or donation.



## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Fixed assets:** Investments in office equipment, webpage and furniture are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the capitalized assets. Maintenance and repairs are charged to expense as incurred.

The following lives are assigned to the various assets:

	<u>Life</u>
Office equipment and webpage	3 – 5 years
Office furniture	5 – 10 years

**Investments:** Investments are reported in the consolidated statement of financial position at fair value with any realized or unrealized gains and losses reported in the consolidated statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

**In-kind contributions:** In-kind contributions represent rent, professional services, good and materials. The estimated fair values of rent, professional services, goods and materials are recorded as contributions and expenses at the date they are received. The Organization also benefits from a substantial number of nonprofessional volunteer services during the year, the value of which cannot be quantified and, accordingly, has not been recorded in the consolidated financial statements.

**Retirement plan:** The Organization has an established non-contributory Section 403(b) retirement plan which covers all full-time employees.

**Operating leases:** The Organization leases office space and various office equipment on an annual basis.

**Tax status:** Shoes and Clothes for Kids, Inc. and Uniforms for Kids, Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Uncertain tax positions:** The Financial Accounting Standards Board (FASB) provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2016, management has determined there are no uncertain tax positions.

With few exceptions, the Organization is no longer subject to examination by the Internal Revenue Service for years ending before 2013.

**Comparative information:** The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Reclassifications:** Certain reclassifications of 2015 amounts have been made to conform to the 2016 presentation.

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities, (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The objective of this statement is to improve the current net asset classification requirements and information presented in the consolidated financial statements and notes about an entity's liquidity, financial performance, and cash flows. The statement is effective for fiscal years beginning after December 15, 2017. The Organization has not yet determined the impact this statement will have on its consolidated financial statements.

**Subsequent events:** The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 15, 2017, the date the consolidated financial statements were available to be issued.

#### Note 2. Contributions Receivable

Contributions receivable consist of unconditional promises to give by individuals, foundations and other entities. At December 31, 2016, all contributions receivable represent future contributions that are receivable in less than one year.

#### Note 3. Investments

The Organization measures its financial instruments at fair value, which establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. This statement enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 — Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets that are subject to fair value measurements.

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 3. Investments (Continued)

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Exchange traded funds - equity:				
Large cap growth index	\$ 428,121	\$ -	\$ -	\$ 428,121
International index	213,081	-	-	213,081
Large cap value index	112,821	-	-	112,821
Large cap blended index	25,681	-	-	25,681
Exchange traded funds - fixed income:				
International fixed income index	131,041	-	-	131,041
Domesic fixed income index	82,457	-	-	82,457
Mortgage backed securities index	43,558	-	-	43,558
Mutual funds:				
Domesic fixed income	42,396	-	-	42,396
Large cap growth	34,176	-	-	34,176
International	18,236	-	-	18,236
Mid cap blended	16,432	-	-	16,432
<b>Total</b>	<b>\$ 1,148,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,148,000</b>

The Organization's Level 1 investments represent mutual funds and exchange traded funds which are traded on a public exchange. The valuation techniques for investments have been consistent from year to year.

#### Note 4. Special Events

At December 31, 2016, special events activity consists of the following:

	Revenue	Expense	Net
Luau	\$ 64,975	\$ 55,860	\$ 9,115
Golf Classic	53,873	25,045	28,828
	<b>\$ 118,848</b>	<b>\$ 80,905</b>	<b>\$ 37,943</b>

In conjunction with its strategic planning process during 2016, the Organization has restructured its special event opportunities. The annual Heart and Sole luncheon was discontinued in 2016 and the last Luau was held in July 2016. The Organization is in the process of developing new events that will be introduced in 2017 and 2018.

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 5. Functional Expenses

The following is a detail of expenses by function:

Shoes and clothing program expenses:	
Clothing and uniforms distributed	\$ 2,086,794
Other distribution expenses	134,367
Shoe gift certificates purchased	195,258
<b>Total shoes and clothing program expenses</b>	<b>2,416,419</b>
General and administrative expenses	195,608
Fundraising	187,059
<b>Total supporting expenses</b>	<b>382,667</b>
<b>Total program and supporting expenses before in-kind expenses</b>	<b>2,799,086</b>
In-kind expenses:	
Program	51,695
Fundraising	786
General and administrative expenses	9,496
<b>Total in-kind expenses</b>	<b>61,977</b>
<b>Total expenses</b>	<b>\$ 2,861,063</b>

#### Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2016:

	Beginning Balance	Additions	Net Assets Released	Ending Balance
Technology improvement	\$ 1,581	\$ -	\$ 1,581	\$ -
Strategic plan	11,895	-	11,895	-
Heart and Sole	3,000	-	3,000	-
Cleveland Browns Foundation - Special Team Packages	-	100,000	15,334	84,666
Supercenter Pilot Program	-	20,000	-	20,000
<b>Total</b>	<b>\$ 16,476</b>	<b>\$ 120,000</b>	<b>\$ 31,810</b>	<b>\$ 104,666</b>

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 7. Endowment Funds

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, include funds designated by the Board of Directors to function as endowments.

In the event that the Organization has donor-restricted endowment funds, the Organization would follow the following rules:

**Interpretation of relevant law:** The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In addition, UPMIFA introduced the concept of total return expenditure of endowment net assets for charitable program purposes, expressly permitting prudent expenditure of both appreciation and income. Thus asset growth and income can be appropriated for program purposes, subject to the rule that a fund cannot be spent below "historic dollar value."

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>
Beginning balance at December 31, 2015	\$ 1,178,301
Investment earnings	65,924
<b>Ending balance at December 31, 2016</b>	<b><u><u>\$ 1,244,225</u></u></b>

There are no donor restricted endowment funds at December 31, 2016.

**Return objectives and risk parameters:** The Organization has adopted an investment policy for endowment assets that attempts to maximize long-term return from interest and dividends, yet maintaining the liquidity necessary to meet cash flow needs. Under this policy, as approved by the Board of Directors, the endowment assets are invested assuming a low level of risk to maximize long-term returns.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy:** The Organization has a policy to preserve the board-designated endowment fund. However, if there is a need or organizational challenge, the Finance Committee shall take its recommendations to the Board of Directors for approval.

## Shoes and Clothes for Kids, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 8. Lease Commitments

The Organization leases office space and certain office equipment with lease terms ranging through March 2019. Obligations under non-cancellable operating leases as of December 31, 2016 are as follows:

2017	\$	20,368
2018		20,368
2019		4,248
<b>Total</b>	<b>\$</b>	<b>44,984</b>

Rental expense for operating leases amounted to \$20,368 for the year ended December 31, 2016.

#### Note 9. Merger with Uniforms for Kids, Inc.

Effective July 1, 2016, the respective Boards of Directors of Shoes and Clothes for Kids, Inc. and Uniform for Kids, Inc. voted to approve a merger agreement with the two merged entities becoming known as Shoes and Clothes for Kids, Inc. The purpose of this merger was to facilitate the distribution of school uniforms to students in need within the Greater Cleveland area by leveraging the buying network and knowledge of Uniforms for Kids, Inc. with the distribution operation and network of Shoes and Clothes for Kids, Inc. The merged Organization will operate a uniform program with the goal of removing clothing as a barrier to attending school. The Organization recorded the merger of Uniform for Kids, Inc. in accordance with the Business Combinations Topic of the Accounting Standards Codification (ASC). The results and activities of Uniform for Kids, Inc. were captured from the merger date forward. No consideration was paid by Shoes and Clothes for Kids, Inc. for the merger, therefore, the Organization recognized on its consolidated statement of activities a contribution of unrestricted net assets in the amount of \$126,087. The following table summarizes the estimated fair values of the assets contributed at the merger date:

Fair value of assets contributed:		
Cash and cash equivalents	\$	77,414
Accounts receivable		23,620
Uniform inventory		25,053
<b>Total identifiable net assets contributed</b>	<b>\$</b>	<b>126,087</b>

As a result of this transaction, no identifiable intangible assets were acquired. The costs associated with this acquisition were donated to the Organization in-kind and were not material to the consolidated financial statements.

#### Note 10. Subsequent Event

Effective January 1, 2017, the Board of Directors of Cleveland Kids in Need Resource Center voted to donate the assets of Cleveland Kids in Need Resource Center to Shoes and Clothes for Kids, Inc. and to dissolve Cleveland Kids in Need Resource Center and the Board of Directors of Shoes and Clothes for Kids, Inc., voted to approve Shoes and Clothes for Kids, Inc.'s agreement to become the Cleveland Chapter of Kids in Need Foundation. The purpose of these actions was to facilitate the distribution of school supplies to teachers and students with the Greater Cleveland area by leveraging the distribution network of Shoes and Clothes for Kids, Inc. and purchasing power of Cleveland Kids in Need Resource Center. As part of the dissolution of Cleveland Kids in Need Resource Center, Cleveland Kids in Need Resource Center donated cash of \$7,300 and inventory with a retail value over \$2,000,000 to Shoes and Clothes for Kids, Inc. There were no liabilities transferred to Shoes and Clothes for Kids, Inc. Cleveland Kids in Need Resource Center will operate as a separate program of Shoes and Clothes for Kids, Inc.